



Moody's Investors Service

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August 30, 2005

Ms. Sukie Scheetz
Controller
County of Clermont
101 East Main Street
Department of Administrative Services
Batavia, OH 45103

Dear Ms. Scheetz:

We wish to inform you that on August 26, 2005, Moody's Rating Committee reviewed and assigned a rating of Aa2 to Clermont (County of) OH's Various Purpose General Obligation Special Assessment Bonds, Series 2005.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Henrietta Chang, at 312-706-9969.

Sincerely,



Edward Damutz

cc:
Mr. Bradley Ruwe
Peck, Schaffer & Williams, LLP



New Issue: Clermont (County of) OH

MOODY'S ASSIGNS Aa2 RATING TO CLERMONT COUNTY'S (OH) \$2.2 MILLION VARIOUS PURPOSE GO SPECIAL ASSESSMENT BONDS, SERIES 2005

Aa2 AFFIRMATION AFFECTS \$35.6 MILLION OF OUTSTANDING PARITY DEBT, INCLUDING CURRENT ISSUE

County
OH

Moody's Rating

ISSUE

RATING

Various Purpose General Obligation Special Assessment Bonds, Series 2005 Aa2

Sale Amount \$2,200,000

Expected Sale Date 08/29/05

Rating Description General Obligation Limited Tax

Opinion

NEW YORK, Aug 26, 2005 — Moody's Investors Service has assigned a Aa2 rating to Clermont County's (OH) \$2.2 million Various Purpose General Obligation Special Assessment Bonds, Series 2005. Concurrently, Moody's has affirmed the Aa2 rating, affecting the county's \$35.6 million of outstanding parity debt, including the current issue. The bonds, which will finance water and sewer extensions, are secured by the county's general obligation limited tax pledge, subject to the ten-mill limitation, although debt service is expected to be paid by special assessments against benefiting properties. The Aa2 rating reflects the county's steadily growing tax base that is favorably located near Cincinnati, healthy financial operations supported by ample reserves, and low debt burden.

COUNTY BENEFITS FROM PROXIMITY TO CINCINNATI; CONTINUED STEADY TAX BASE GROWTH EXPECTED

Moody's believes the county's proximity to Cincinnati (general obligation debt rated Aa1) coupled with the widespread availability of low-cost land available for development projects will result in sustained growth in assessed valuation. The county's tax base, which stands at a large \$10.9 billion, was primarily residential and agricultural as recently as a decade ago; however commercial and industrial growth has accelerated in recent years. The majority of residential and commercial development continues to take place in the western portion of the county near Interstate 275, which rings Cincinnati and provides easy access to the metropolitan area. From 2000-2005, the county's tax base averaged a modest 2.8% annual growth, including a 4.6% decline in 2002 due to utility deregulation (effective January 1, 2001), which lowered the assessed valuation of utility production equipment. However, this decrease is not expected to have a significant impact on the county's financial operations since revenues from utility personal property tax comprise a relatively small portion of the county's assessed valuations. Further, the state is expected to offset any revenue loss with a kilowatt hour tax at 100% through 2005 and then phased-in reductions over the following ten years. Full valuation has experienced larger gains during years of reassessment (12.5% in fiscal 2003) and more moderate growth during periods of non-reappraisal, indicating modest new construction. Moody's anticipates this trend will continue and possibly increase over the long term given the significant amount of land available for development and continued transportation improvements. The socioeconomic profile of county residents is above state norms, reflected in a per capita income and median family income at 107% and 114% of state averages, respectively. Clermont County's unemployment rate, 5.5% in June 2005, is below the state's rate of 6.2%.

SOLID FINANCIAL OPERATIONS SUPPORTED BY AMPLE RESERVES PROVIDING CUSHION AGAINST FLUCTUATIONS IN SALES TAX REVENUES

Moody's expects the county's financial operations to remain sound, due to management's commitment to conservative budgeting and the maintenance of ample reserves. After posting large operating surpluses from 2000 to 2002, the county's 2003 financial operations ended essentially balanced, primarily due to lower interest earnings. A \$2.1 million draw on the General Fund balance in FY2004 was due to a \$2 million transfer to capital projects to finance a jail expansion and an increased transfer to the self-insurance fund. County officials expect balanced operations for FY2005. Sales tax revenues for the year are lagging slightly

and are expected to fall short of the \$21 million collected in 2004 - which included one time extraordinary payouts related to a state audit of vendor payments. The county typically budgets conservatively for all revenues and expects to make up any shortfalls in other revenue lines. Sales tax revenues have increased a healthy 4.2% annually from 1999 to 2004. Sales taxes represent just less than half of core operating revenues. While the county's reserve levels are ample, Moody's expects the county to continue to conservatively budget for this key revenue source.

FAVORABLE DEBT POSITION WITH MODERATE BORROWING PLANS

Moody's expects the county's low 1.5% debt burden (0.4% direct) to remain favorable given rapid principal amortization of 74% in ten years, the expectation of continued tax base growth, and limited capital needs. The current capital plan calls for \$3 to \$5 million in special assessment bonds annually for water and sewer extensions. The county has no major borrowing plans in the near term.

KEY STATISTICS

2000 population: 177,977 (+18.5% since 1990)

2005 estimated full valuation: \$10.9 billion

Full value per capita: \$57,726

2000 Per capita income: \$22,370 (107% of state average)

2000 Median family income: \$57,032 (114% of state average)

County unemployment rate (6/05): 5.5%

Debt burden: 1.6% (0.5% direct)

Payout of principal (10 years): 74%

FY 2004 General Fund balance: \$26.5 million (54.0% of General Fund revenues)

Post-sale parity debt outstanding: \$35.6 million

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